

MCINTOSH SCHOOL DISTRICT NO. 15-1

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

MCINTOSH SCHOOL DISTRICT NO. 15-1

SCHOOL OFFICIALS

JUNE 30, 2012

Board Members:

William Chase, President

Landon Arnold

Chris Bailey

Sandy Baumberger

Marcia Schell

Superintendent:

Richard Schaffan

Business Manager:

Rosemary Fritz

MCINTOSH SCHOOL DISTRICT NO. 15-1

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KOHLMAN, BIRSCHBACH & ANDERSON, LLP
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

School Board
McIntosh School District No. 15-1
McIntosh, South Dakota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McIntosh School District No. 15-1, South Dakota, as of June 30, 2012, and for the year then ended, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 24, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Current Audit Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2012-01 through 2012-07 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings and Questioned Costs as items 2012-02, 2012-06, and 2012-07.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

We also noted certain additional matters that we reported to management of the School District in a separate communication dated January 24, 2013.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, and the governing board and management of the McIntosh School District No. 15-1, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 §__320, this report is a matter of public record and its distribution is not limited.

Kohlman, Grimbler & Anderson, LLP

January 24, 2013

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE
A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

School Board
McIntosh School District No. 15-1
McIntosh, South Dakota

Compliance

We have audited the McIntosh School District No. 15-1, South Dakota compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2012. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Current Audit Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

As described in item 2012-02 in the accompanying Schedule of Current Audit Findings and Questioned Costs, the School District did not comply with requirements regarding time and effort distribution records that are applicable to its Title I program. Compliance with such requirements is necessary, in our opinion, for the School District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the McIntosh School District No. 15-1, South Dakota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weakness have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Current Audit Findings and Questioned Costs as item 2012-01 and 2012-02 to be material weaknesses.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings and Questioned Costs. We did not audit the School District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of federal awarding agencies and pass-through entities, the South Dakota Legislature, state granting agencies, the governing board and management of the McIntosh School District No. 15-1, South Dakota, and is not intended to be and should not be used by anyone other than these specified parties. However, as required by South Dakota Codified Law 4-11-11 and OMB Circular A-133 § __.320, this report is matter of public record and its distribution is not limited.

Kahlan, Seimbsch & Arden, LLP

Januray 24, 2013

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

PRIOR FEDERAL AUDIT FINDINGS:

2011-04

The School District has a lack of segregation of duties in their federal award programs due to a limited staff. This finding has not been corrected and is restated as current federal audit finding 2012-01.

2011-05

The School District did not maintain monthly time and effort distribution records that documented the portion of time spent on multiple cost objectives for all employees. This finding has not been corrected and is restated as current federal audit finding 2012-02

2011-06

The School District did not have supporting documentation for two of twenty-two non-payroll expenditures selected for testing to verify the expenditures were allowable activities and costs of the program. This comment has been resolved.

PRIOR OTHER AUDIT FINDINGS:

2011-01

The School District has a lack of segregation of duties in certain areas due to limited staff. This finding has not been corrected and is restated as current other audit finding 2012-03.

2011-02

Misstatements were identified in the School District's financial statements causing the auditor to propose significant audit adjustments. This comment has not been corrected and is restated as current other audit finding 2012-05.

2011-03

The School District does not have an internal control system designed to provide for the preparation of the financial statements being audited. This comment has not been corrected and is restated as current other audit finding 2012-04.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012

SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS:

Financial Statements:

- a. An unqualified opinion was issued on the financial statements of each opinion unit.
- b. Material weaknesses were disclosed by our audit of the financial statements. They are described in findings 2012-01 through 2012-07.
- c. Our audit disclosed noncompliance which was material to the financial statements, as described in findings 2012-02, 2012-06, and 2012-07.

Federal Awards:

- d. A material weakness was disclosed for internal control over major federal programs for a lack of segregation of duties over federal revenue and lack of time and effort distribution records as required by the Title I program. These findings are described in findings 2012-01 through 2012-02.
- e. Our opinion on compliance was a qualified opinion on compliance with requirements applicable to the School District's major federal programs.
- f. Our audit did disclose audit findings that need to be disclosed in accordance with the Office of Management and Budget Circular A-133, Section .510(a). See findings 2012-01 through 2012-02.
- g. The federal awards tested as major programs were:
 - a. Impact Aid #84.041
 - b. Title I Grants to Local Educational Agencies #84.010
- h. The dollar threshold used to distinguish between Type A and Type B federal award programs was \$300,000.
- i. McIntosh School District No. 15-1, South Dakota, did not qualify as a low-risk entity.

CURRENT FEDERAL AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2012-01

The major federal programs affected are Impact Aid, CFDA #84.041, federal award year 2012, Department of Education; and Title I Grants to Local Educational Agencies, CFDA # 84.010, federal award year 2012, Department of Education.

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties in the School District's federal award programs. This is undesirable from an internal control view point, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Effect

Inadequate segregation of duties could adversely affect the School District's ability to detect misstatements or noncompliance in amounts that would be material in relation to federal programs in a timely manner by employees in the normal course of performing their assigned duties.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

(Continued)

Recommendation

We recommend the School Board take a more active role in their oversight of the School Districts federal award programs.

Corrective Action Plan

The School District has determined that it is not cost beneficial to employee additional personnel just to be able to adequately segregate duties for its federal award programs and accepts the risks involved. The board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Board President, Landon Arnold, is responsible for the corrective action plan for this finding.

2012-02

The major federal program affected is Title I Grants to Local Education Agencies, CFDA #84.010, federal award year 2012, Department of Education.

Criteria

OMB Circular A-87, Attachment B, paragraph 8h(4), (5) and (6) states where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

Condition Found

The School District did not maintain monthly time and effort distribution records for the portion of time spent on multiple cost objectives for all employees.

Effect

The School District could improperly allocate costs to the federal program.

Recommendation

We recommend that the School District implement policies to properly document time and effort spent on multiple cost objectives involving federal programs.

Corrective Action Plan

The School District will implement a system in which employees with multiple cost objectives are supplied with the appropriate forms and the Business Manager will verify that these forms are properly and timely completed. The Business Manager, Kathy Sieck-Chase, is the contact person for this finding.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012
(Continued)

CURRENT OTHER AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

2012-03

Criteria

Internal control can help the School District achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the School District complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity, which could result in errors not being found in a timely manner.

Effect

The McIntosh School District No. 15-1 has a limited number of employees who prepare all records for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity. This is undesirable from an internal control viewpoint, and could result in a loss of control over accounting transactions and errors not being found in a timely manner.

Recommendation

We recommend the School Board take a more active role in their oversight of cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity.

Corrective Action Plan

The McIntosh School District No. 15-1 has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for cash, revenues, receivables, inventories, payables, trust and agency, capital assets, budget, indebtedness, expenditures, payroll, and equity and accepts the risks involved. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The Board President, Landon Arnold, is responsible for the corrective action plan for this finding.

2012-04

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012
(Continued)

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Corrective Action Plan

Both management and the School Board have been informed of this condition and are confident that the information is accurate and are willing to accept this risk. The Business Manager, Kathy Sieck-Chase, is responsible for the corrective action plan for this finding.

2012-05

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012
(Continued)

Corrective Action Plan

Both management and the School Board accept the risks associated with this deficiency. The Board is aware of the problem and will attempt to provide compensating controls wherever and whenever possible and practical. The contact person for this finding is Landon Arnold, Board President.

2012-06

Criteria

South Dakota Codified Law (SDCL) 13-11-2 requires that the School District, by resolution, shall adopt a budget for the anticipated obligations of each fund for the year.

Condition Found

The School District exceeded, by material amounts, the budgeted appropriations of the Special Education Fund and the Capital Projects Fund.

Effect

Failure to follow SDCL 13-11-2 indicates an inadequacy of controls, which resulted in expenditures being made without proper authority.

Recommendation

We recommend that the School District complies with SDCL 13-11-2. Monthly budget-to-actual statements should be submitted to the School Board to monitor compliance. If, during the year, it is determined that insufficient amounts have been budgeted, state statute allows for the adoption of a supplemental budget to make necessary changes.

Corrective Action Plan

The Business Manager will give the School Board budget to actual comparison for the board to review periodically. The School Board will monitor the expenditures more closely in the future and pass a supplemental budget if needed. The contact person for this finding is Business Manager, Kathy Sieck-Chase.

2012-07

Criteria

South Dakota Codified Law (SDCL) 6-1-10 requires that the School District shall publish a complete list of all the salaries of all officers and employees and thereafter shall publish once any salary paid to any officer or employee who has been added or whose salary has been increased.

Condition Found

We noted that the Superintendent, the Business Manager, and the incoming Elementary Principal received bonuses. This is an increase in compensation whether in the form of a salary or incentive. Approval for the increase in compensation was not documented as approved by the Board or published for disclosure to the public.

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF CURRENT AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012
(Continued)

Effect

The School District is not in compliance with SDCL 6-1-10. This noncompliance indicated an inadequacy of controls, which results in expenditures being made without proper authority and a lack of transparency of information to the public.

Recommendation

We recommend that all changes in salary or added incentives be approved by the Board and appropriately documented in the minutes. The information should be published for public examination.

Corrective Action Plan

The School District will document any changes in salary or incentives in the minutes in the future. The contract person for this finding is Business Manager, Kathy Sieck-Chase.

Closing Conference

The contents of this report were discussed with Kathy Sieck-Chase, Business Manager, Chris Bailey and William Chase, Board Members, and Richard Schaffan, Superintendent, on August 13, 2012.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

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INDEPENDENT AUDITORS' REPORT

School Board
McIntosh School District No. 15-1
McIntosh, South Dakota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the McIntosh School District No. 15-1, South Dakota, as of June 30, 2012, and for the year then ended, which collectively comprise the School District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the McIntosh School District No. 15-1, South Dakota, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 39 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States

of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, which is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the combining nonmajor fund financial statements listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kahlma, Bernthal & Arden, LLP

January 24, 2013

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>PRIMARY GOVERNMENT Governmental Activities</u>
ASSETS:	
Cash and cash equivalents	\$ 3,234,185
Investments	1,956,592
Taxes receivable	233,665
Inventories	1,267
Other assets	298,419
Capital Assets:	
Land, improvements and construction in progress	560,352
Other capital assets, net of depreciation	<u>1,197,368</u>
TOTAL ASSETS	<u>\$ 7,481,848</u>
LIABILITIES:	
Accounts payable	\$ 190,065
Other current liabilities	232,283
Deferred revenue	228,692
Noncurrent Liabilities:	
Due within one year	111,089
Due in more than one year	<u>5,859</u>
TOTAL LIABILITIES	<u>767,988</u>
NET ASSETS:	
Invested in capital assets	1,757,720
Restricted for:	
Capital outlay purposes	233,866
Special education purposes	79,519
Pension purposes	67,795
Food service purposes	27,020
Unrestricted	<u>4,547,940</u>
TOTAL NET ASSETS	<u>6,713,860</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,481,848</u>

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					Primary Government
					Governmental
					Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,602,564	\$ 600,679	\$ 34,814	\$ 367,082	\$ (599,989)
Support services	1,408,493	104,877	-	-	(1,303,616)
Nonprogrammed charges	108,659	-	-	-	(108,659)
Cocurricular activities	<u>91,742</u>	<u>28,184</u>	<u>-</u>	<u>-</u>	<u>(63,558)</u>
Total Governmental Activities	<u>\$ 3,211,458</u>	<u>\$ 733,740</u>	<u>\$ 34,814</u>	<u>\$ 367,082</u>	<u>(2,075,822)</u>
General Revenues:					
Taxes:					
Property taxes					410,320
Gross receipts taxes					25,159
Revenue from State Sources:					
State aid					845,915
Other					24,871
Revenue from Federal Sources					894,964
Unrestricted Investment Earnings					43,003
Other General Revenues					<u>8,264</u>
Total General Revenues and Transfers					<u>2,252,496</u>
Change In Net Assets					<u>176,674</u>
Net Assets - Beginning					6,337,225
Prior Period Adjustment (Notes 17 and 18)					<u>199,961</u>
Adjusted Net Assets - Beginning					<u>6,537,186</u>
Net Assets - Ending					<u>\$ 6,713,860</u>

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2012

	General Fund	Special Education Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 2,810,363	\$ 95,072	\$ -	\$ 328,750	\$ 3,234,185
Investments	1,835,552	-	-	121,040	1,956,592
Taxes receivable - current	172,070	46,625	-	9,996	228,691
Taxes receivable - delinquent	4,214	626	-	134	4,974
Accounts receivable	48,258	19	-	5	48,282
Due from other funds	992	-	-	-	992
Due from other government	229,826	-	-	-	229,826
Inventory of supplies	-	-	-	282	282
Inventory of stores purchased for resale	-	-	-	908	908
Inventory of donated food	-	-	-	77	77
Prepaid expenses	20,311	-	-	-	20,311
TOTAL ASSETS	\$ 5,121,586	\$ 142,342	\$ -	\$ 461,192	\$ 5,725,120
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 465	\$ -	\$ 189,600	\$ -	\$ 190,065
Contracts payable	149,451	14,369	-	7,450	171,270
Due to other funds	-	-	-	992	992
Payroll deductions and withholdings and employer matching payable	53,771	1,829	-	5,413	61,013
Deferred revenue	176,284	47,251	-	10,131	233,666
TOTAL LIABILITIES	379,971	63,449	189,600	23,986	657,006
FUND BALANCES:					
Nonspendable:					
Inventory	-	-	-	1,267	1,267
Prepays	20,311	-	-	-	20,311
Restricted for:					
Capital outlay	-	-	-	233,866	233,866
Special education	-	78,893	-	-	78,893
Pension	-	-	-	176,320	176,320
Food service	-	-	-	25,753	25,753
Assigned to:					
Next year's budget	1,217,540	-	-	-	1,217,540
Unassigned	3,503,764	-	(189,600)	-	3,314,164
TOTAL FUND BALANCES	4,741,615	78,893	(189,600)	437,206	5,068,114
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,121,586	\$ 142,342	\$ -	\$ 461,192	\$ 5,725,120

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Fund Balances - Governmental Funds \$ 5,068,114

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not current financial resources and
therefore are not reported in the funds. 1,757,720

Long-term liabilities are not due and payable in the current period and therefore are
not reported in the funds.

Accrued leave	\$ 8,289	
Early retirement benefits	<u>108,659</u>	(116,948)

Assets, such as taxes receivable that are not available to pay for current period
expenditures, are deferred in the funds.

Taxes receivable	<u>\$ 4,974</u>	<u>4,974</u>
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Net Assets - Governmental Activities \$ 6,713,860

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	General Fund	Special Education Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Revenue from Local Sources:					
Taxes:					
Ad valorem taxes	\$ 312,761	\$ 80,528	\$ -	\$ 17,266	\$ 410,555
Prior years' ad valorem taxes	1,101	157	-	30	1,288
Gross receipts taxes	25,159	-	-	-	25,159
Penalties and interest on taxes	1,555	432	-	93	2,080
Tuition and fees:					
Regular day school tuition	78,863	-	-	-	78,863
Earnings on investments and deposits	42,684	-	-	319	43,003
Food service	-	-	-	10,014	10,014
Cocurricular activities:					
Admissions	4,475	-	-	-	4,475
Other pupil activity income	23,709	-	-	-	23,709
Other revenue from local sources:					
Rentals	480	-	-	-	480
Contributions and donations	-	-	367,082	-	367,082
Refund of prior years' expenditures	3	-	-	-	3
Charges for services	-	161	-	-	161
Other	5,252	-	-	1	5,253
Revenue from Intermediate Sources:					
County sources:					
County apportionment	3,988	-	-	-	3,988
Revenue from State Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid	870,786	-	-	-	870,786
Restricted grants-in-aid	125	34,689	-	-	34,814
State cash reimbursements	-	-	-	794	794
Revenue from Federal Sources:					
Grants-in-aid:					
Unrestricted grants-in-aid received directly from federal government	876,198	15,807	-	-	892,005
Restricted grants-in-aid received directly from federal government	13,393	-	-	-	13,393
Restricted grants-in-aid received from federal government through the state	508,262	-	-	-	508,262
Johnson O'Malley funds	2,959	-	-	-	2,959
Federal cash reimbursements	-	-	-	87,220	87,220
Federal donated food	-	-	-	6,849	6,849
TOTAL REVENUE	2,771,753	131,774	367,082	122,586	3,393,195

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(Continued)

	General Fund	Special Education Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
EXPENDITURES:					
Instruction:					
Regular programs:					
Elementary	481,181	-	-	-	481,181
Middle/Junior high	95,961	-	-	-	95,961
High school	538,023	-	-	-	538,023
Preschool services	33,669	-	-	-	33,669
Special programs:					
Programs for special education	-	114,491	-	-	114,491
Culturally different	22,507	-	-	-	22,507
Educationally deprived	316,732	-	-	-	316,732
Support Services:					
Pupils:					
Guidance	66,008	-	-	-	66,008
Health	14,669	-	-	-	14,669
Student therapy services	-	9,309	-	-	9,309
Instructional staff:					
Improvement of instruction	35,085	-	-	-	35,085
Educational media	93,503	37,411	-	1,341	132,255
General administration:					
Board of education	66,478	-	-	2,739	69,217
Executive administration	150,859	-	-	-	150,859
School administration:					
Office of the principal	58,032	-	-	-	58,032
Business:					
Fiscal services	100,580	-	-	-	100,580
Facilities acquisition and construction	-	-	2,171	-	2,171
Operation and maintenance of plant	186,009	-	-	1,692	187,701
Pupil transportation	258,037	-	-	-	258,037
Food service	7,169	-	-	146,763	153,932
Special education:					
Administrative costs	-	45,475	-	-	45,475
Transportation costs	-	3,312	-	-	3,312
Cocurricular Activities:					
Male activities	26,978	-	-	-	26,978
Female activities	34,326	-	-	-	34,326
Transportation	8,645	-	-	-	8,645
Combined activities	21,119	-	-	674	21,793
Capital Outlay	4,652	-	554,511	21,405	580,568
TOTAL EXPENDITURES	2,620,222	209,998	556,682	174,614	3,561,516

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012
(Continued)

	General Fund	Special Education Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>151,531</u>	<u>(78,224)</u>	<u>(189,600)</u>	<u>(52,028)</u>	<u>(168,321)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	-	68,177	-	155,000	223,177
Transfers out	(223,177)	-	-	-	(223,177)
Sale of surplus property	<u>-</u>	<u>-</u>	<u>-</u>	<u>90</u>	<u>90</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(223,177)</u>	<u>68,177</u>	<u>-</u>	<u>155,090</u>	<u>90</u>
NET CHANGE IN FUND BALANCES	(71,646)	(10,047)	(189,600)	103,062	(168,231)
FUND BALANCE - BEGINNING	<u>4,813,261</u>	<u>88,940</u>	<u>-</u>	<u>334,144</u>	<u>5,236,345</u>
FUND BALANCE - ENDING	<u>\$ 4,741,615</u>	<u>\$ 78,893</u>	<u>\$ (189,600)</u>	<u>\$ 437,206</u>	<u>\$ 5,068,114</u>

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

Net Change in Fund Balances - Total Governmental Funds \$ (168,231)

Amounts reported for governmental activities in the statement of activities
are different because:

This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements. 580,568

This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources. (127,222)

In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government-wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". (3,603)

In the statement of activities, a \$1,460 loss on disposal of capital assets is reported, whereas, in the governmental funds, the \$90 proceeds from the disposal of capital assets is reflected, regardless of whether a gain or loss is realized. (1,550)

Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits or elect to retire early.

Early Retirement Payable	\$	(108,659)	
Vacation leave		<u>5,371</u>	<u>(103,288)</u>

Change in Net Assets of Governmental Activities \$ 176,674

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 14,275</u>
TOTAL ASSETS	<u><u>\$ 14,275</u></u>
LIABILITIES:	
Amounts held for others	<u>\$ 14,275</u>
TOTAL LIABILITIES	<u>14,275</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 14,275</u></u>

The notes to the financial statements are an integral part of this statement.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. **Financial Reporting Entity:**

The reporting entity of McIntosh School District No. 15-1 (School District), consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in two cooperative service units with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Net Assets reports all financial and capital resources, in a net assets form (assets minus liabilities equal net assets). Net assets are displayed in three components, as applicable, invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type, and

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - (Continued)

2. Total assets, liabilities, revenues, or expenditures of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined, or
3. Management has elected to classify one or more governmental funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds:

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is not a major fund.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

Pension Fund - A fund established by SDCL 13-10-6 for the purpose of paying pensions to retired employees of school districts, which have established such systems, paying the School District's share of retirement plan contributions, and for funding early retirement benefits to qualifying employees. This fund is financed by property taxes. This is not a major fund.

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is not a major fund.

Capital Projects Funds - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The Capital Projects Fund is the only capital projects fund maintained by the School District. This is a major fund.

Fiduciary Funds:

Fiduciary funds consist of the following sub-categories and are never considered to be major funds:

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes, clubs and so on.

MCINTOSH SCHOOL DISTRICT NO. 15-1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - (Continued)

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-Wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting is applied to the fiduciary fund types.

Basis of Accounting:

Government-Wide Financial Statements:

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

Fund Financial Statements:

All governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period for the School District is 60 days. The revenues which are accrued at June 30, 2012, are reimbursements for federal program expenditures.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

Fiduciary fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - (Continued)

d. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are reported in the government-wide or fund financial statements.

Government-Wide Financial Statements:

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated.

Interest costs incurred during construction of general capital assets are not capitalized along with other capital asset costs.

The total June 30, 2012 balance of capital assets for governmental activities includes estimates of the original costs. These estimated original costs were established by deflated current replacement cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Assets. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A	N/A
Improvements	\$ 3,000	Straight-line	20 years
Buildings	\$ -	Straight-line	50 years
Machinery and Equipment	\$ 3,000	Straight-line	10 years

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition.

e. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of compensated absences and early retirement benefits payable.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - (Continued)

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due.

f. Program Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

g. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net assets and is displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net assets held in trust for other purposes.

h. Application of Net Assets:

It is the School District's policy to first use restricted net assets, prior to the use of unrestricted net assets, when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1 - (Continued)

i. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District's fund balance amounts in nonspendable form are for inventory and prepaid expenses.

The School Board has not committed any portion of the School District's fund balance.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund
Special Education Fund

Revenue Source
Grants and Property Taxes

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The School District is prohibited by statute from spending in excess of appropriated amounts at the fund level. The following represents the significant overdrafts of the expenditures compared to the appropriations:

	Year Ended <u>June 30, 2012</u>
Special Education Fund	\$ <u>26,780</u>

The Governing Board plans to examine the budget to actual statements more closely and make the necessary supplements or contingency transfers as needed.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of all of the funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school district funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the School District, as discussed above. The School District has no investment policy that would further limit its investment choices.

As of June 30, 2012, the School District had the following investments:

<u>Investment</u>	<u>Credit Rating</u>	<u>Maturities</u>	<u>Fair Value</u>
SDFIT	Unrated	Less than 6 months	\$ <u>121,041</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 3 - (Continued)

The South Dakota Public Fund Investment Trust (SDFIT) is an external investment pool created for South Dakota local government investing purposes. It is regulated by a nine member board with representation from municipalities, school districts and counties. The net asset value of the SDFIT money market account (GCR) is kept at one dollar per share by adjusting the rate of return on a daily basis. Earnings are credited to each account on a monthly basis.

Concentration of Credit Risk - The School District places no limit on the amount that may be invested in any one issuer. Of the School District's investments, 93.8% are invested in certificates of deposit. The remaining 6.2% are invested in SDFIT.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income from investments to the fund making the investment.

NOTE 4 - RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. No allowances for estimated uncollectibles have been determined to be necessary.

NOTE 5 - INVENTORY

Inventory held for consumption is stated at cost. Inventory held for resale is stated at the lower of cost or market. The cost valuation method is first-in, first-out (FIFO). Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012, is as follows:

Primary Government

	<u>Balance 7/1/2011</u>	<u>Prior Period Adjustment</u>	<u>Adjusted Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 6/30/2012</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 14,350	\$ -	\$ 14,350	\$ 5,000	\$ -	\$ 19,350
Construction work in progress	-	-	-	541,002	-	541,002
Total, not being depreciated	<u>14,350</u>	<u>-</u>	<u>14,350</u>	<u>546,002</u>	<u>-</u>	<u>560,352</u>
Capital assets, being depreciated:						
Improvements	215,321	-	215,321	8,509	-	223,830
Buildings	1,504,780	-	1,504,780	-	-	1,504,780
Machinery and equipment	<u>846,248</u>	<u>188,500</u>	<u>1,034,748</u>	<u>26,057</u>	<u>25,335</u>	<u>1,035,470</u>
Total, being depreciated	<u>2,566,349</u>	<u>188,500</u>	<u>2,754,849</u>	<u>34,566</u>	<u>25,335</u>	<u>2,764,080</u>
Less accumulated depreciation for:						
Improvements	48,453	-	48,453	11,842	-	60,295
Buildings	847,802	-	847,802	19,325	-	867,127
Machinery and equipment	<u>480,909</u>	<u>86,111</u>	<u>567,020</u>	<u>96,055</u>	<u>23,785</u>	<u>639,290</u>
Total accumulated depreciation	<u>1,377,164</u>	<u>86,111</u>	<u>1,463,275</u>	<u>127,222</u>	<u>23,785</u>	<u>1,566,712</u>
Total capital assets, being depreciated, net	<u>1,189,185</u>	<u>102,389</u>	<u>1,291,574</u>	<u>(92,656)</u>	<u>1,550</u>	<u>1,197,368</u>
Governmental activity capital assets, net	<u>\$ 1,203,535</u>	<u>\$ 102,389</u>	<u>\$ 1,305,924</u>	<u>\$ 453,346</u>	<u>\$ 1,550</u>	<u>\$ 1,757,720</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:

Support Services \$ 127,222

MCINTOSH SCHOOL DISTRICT NO. 15-1**NOTES TO THE FINANCIAL STATEMENTS****JUNE 30, 2012**

NOTE 6 - (Continued)

Construction Work in Progress at June 30, 2012, is composed of the following:

<u>Project Name</u>	<u>Project Authorization</u>	<u>Expended Thru 6/30/2012</u>	<u>Committed</u>	<u>Required Future Financing</u>
A/C Project	\$ 210,125	\$ 125,000	\$ -	\$ -
Boiler Project	<u>802,629</u>	<u>416,002</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 1,012,754</u>	<u>\$ 541,002</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore are not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period".

NOTE 8 - LONG-TERM LIABILITIES

A summary of the changes in long-term liabilities for the year ended June 30, 2012, is as follows:

PRIMARY GOVERNMENT**Governmental Activities****Compensated Absences**

Payable from the General Fund \$ 8,289

Early Retirement Benefits Payable

Payable from the Pension Fund 108,659

\$ 116,948

Compensated absences for governmental activities typically have been liquidated from the General Fund. Early retirement benefits payable for government activities typically have been liquidated from the Pension Fund.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 8 - (Continued)

Liabilities payable at June 30, 2012, are comprised of the following:

PRIMARY GOVERNMENT

Governmental Activities:

Compensated Absences:

Payable from the General Fund \$ 8,289

Early Retirement Benefits Payable:

Payable from the Pension Fund 108,659

\$ 116,948

NOTE 9 - INDIVIDUAL INTERFUND BALANCES AND TRANSACTIONS

Interfund receivable and payable balances at June 30, 2012, were:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 992	\$ -
Food Service Fund	<u>-</u>	<u>992</u>
	<u>\$ 992</u>	<u>\$ 992</u>

NOTE 10 - RESTRICTED NET ASSETS

Restricted net assets for the fiscal year ended June 30, 2012, were as follows:

<u>Purpose</u>	<u>Restricted By</u>	<u>Amount</u>
Major Funds:		
Special Education Purposes	Law	\$ 79,519
Nonmajor Funds:		
Capital Outlay Purposes	Law	233,866
Pension Purposes	Law	67,795
Food Service Purposes	Federal Regulations	<u>27,020</u>
Total Restricted Net Assets		<u><u>\$408,200</u></u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 11 - INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, were as follows:

<u>Transfers from:</u>	<u>Transfers to:</u>			<u>Totals</u>
	<u>Governmental</u>			
	<u>Activities</u>			
	<u>Special</u>	<u>Capital</u>	<u>Food</u>	
	<u>Education</u>	<u>Outlay</u>	<u>Service</u>	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
General Fund	<u>\$ 68,177</u>	<u>\$ 100,000</u>	<u>\$ 55,000</u>	<u>\$ 223,177</u>

The purpose of the interfund transfers was to transfer federal monies from the General Fund to the Special Education Fund, Capital Outlay Fund and Food Service Fund.

NOTE 12 - RETIREMENT PLAN

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605)773-3731.

Covered employees are required by state statute to contribute the following percentages of their salary to the plan: Class A members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the fiscal years ended June 30, 2012, 2011 and 2010, were \$86,831, \$83,584, and \$94,134 respectively, equal to the required contributions each year.

NOTE 13 - JOINT VENTURES

The School District participates in two joint ventures known as Northwest Area Schools Multi-District and Northwest Area Schools Educational Cooperative. These are cooperative service units formed for the purpose of providing education services in the area of special education, adult education, in-service training and other educational services to the member school districts.

MCINTOSH SCHOOL DISTRICT NO. 15-1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 13 - (Continued)

Northwest Area Schools Multi-District

The members of the Northwest Area Schools Multi-District and their relative percentage participation are as follows:

Harding County School District No. 31-1	15%
Faith School District No. 46-2	15%
Dupree School District No. 64-2	15%
Timber Lake School District No. 20-3	15%
McLaughlin School District No. 15-2	15%
McIntosh School District No. 15-1	15%
Mobridge - Pollock School District No. 62-6	10%

Northwest Area Schools Multi-District's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net assets and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Multi-District.

At June 30, 2012, this joint venture had total assets of \$776,532, total liabilities of \$115,465 and net assets of \$661,067.

Northwest Area Schools Educational Cooperative

The members of the Northwest Area Schools Educational Cooperative and their relative percentage participation are as follows:

Bison School District No. 52-1	16.67%
Harding County School District No. 31-1	16.67%
Faith School District No. 46-2	16.67%
Dupree School District No. 64-2	16.67%
Timber Lake School District No. 20-3	16.67%
McIntosh School District No. 15-1	16.67%

Northwest Area Schools Educational Cooperative's governing board is composed of one representative from each member school district, who is a school board member. The board is responsible for adopting the joint venture's budget and setting service fees at a level adequate to fund the adopted budget.

The School District retains equity in the net assets and has a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Northwest Area Schools Educational Cooperative.

At June 30, 2012, this joint venture had total assets of \$665,023, total liabilities of \$98,069 and net assets of \$566,954.

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended June 30, 2012, the School District managed its risks as follows:

Employee Health Insurance:

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage to its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The coverage also includes a \$2,000,000 lifetime maximum payment per person.

----- The School District does not carry additional health insurance coverage to pay claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The School District joined the Associated School Boards of South Dakota Property and Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage. The School District pays an annual premium to the pool to provide coverage for: package coverage for property, general liability, crime and automobile; umbrella liability; boiler and machinery; and school leaders' errors and omissions.

The agreement with the ASBSD-PLF provides that the above coverages will be provided to a \$6,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit. The School District carries a \$500 deductible for property, general liability, automobile, boiler and machinery and crime and a \$10,000 deductible for the school leaders' professional insurance.

----- The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workers' Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provides workers' compensation insurance coverage for participating members of the pool. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. The School District may also be

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 14 - (Continued)

responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk. The pool pays the first \$500,000 of any claim per individual. The pool has reinsurance which covers up to \$1,000,000 per individual, per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has not assigned any amount of fund balance for the payment of future unemployment benefits.

During the year ended June 30, 2012, no claims for unemployment benefits were paid. At June 30, 2012, no claims had been filed for unemployment benefits and none are anticipated in the next fiscal year.

NOTE 15 - LITIGATION

At June 30, 2012, the School District was not involved in any litigation.

NOTE 16 - SPECIAL TERMINATION BENEFITS

The School District maintains an early retirement program. Eligible employees at least 50 years of age and with 20 years of service to the School District may elect early retirement benefits. No more than one employee per school year may use the early leave benefits unless an exception is approved by the School Board. The payment is based on a percentage of their salary upon termination of employment. The percentage is determined by age at the time of termination of service starting at 50% for an employee 50 years of age and increasing 5% per year of age up to 100% at age 60. The payment may either be a lump sum distribution or installments based on the needs of the retiree. As of June 30, 2012, the School District had a obligation to pay benefits to two qualified individuals.

NOTE 17 - PRIOR PERIOD ADJUSTMENT - OPEB

Management had previously reported their early retirement benefit obligations as Other Post Employment Benefits (OPEB). According to GASB Statement 43, OPEB plans include post employment health care benefits and other forms of post employment benefits, such as life insurance, disability, long-term care, and other benefits if provided as compensation for employee services rendered.

Special termination benefits as defined in National Council on Government Accounting (NCGA) Interpretation 8, Certain Pension Matters are different in nature from OPEB in that they are an inducement to hasten termination of services instead of compensation for services performed. Due to this difference, special termination benefits are generally excluded from the scope of GASB Statement 43.

MCINTOSH SCHOOL DISTRICT NO. 15-1

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 17 - (Continued)

McIntosh School District No. 15-1 had recorded a liability for OPEB calculated using the alternative measurement method permitted by the GASB Statement 45 in the amount of \$97,572. This calculated measurement reflected a liability that the School had recorded in error under the assumption that OPEB reporting requirements applied to special termination benefits.

Correction of this error resulted in a restatement of the School District's beginning net assets, increasing net assets in the amount of \$97,572.

NOTE 18 - PRIOR PERIOD ADJUSTMENT - CAPITAL ASSETS

The State of South Dakota considers books purchased for the library as capital assets to be capitalized on the government-wide statements and depreciated over a 10 year useful life. Management had not capitalized library books purchased by the School District.

The addition of the library books results in an increase to Machinery and Equipment of \$188,500, an increase to accumulated depreciation of \$86,111, and a net increase to Invested in Capital Assets of \$102,389.

NOTE 19 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through January 24, 2013, the date on which the financial statements were available to be issued. Management has determined there are none.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 147,164	\$ 147,164	\$ 312,761	\$ 165,597
Prior years' ad valorem taxes	150,464	150,464	1,101	(149,363)
Gross receipts taxes	14,000	14,000	25,159	11,159
Other taxes	100	100	-	(100)
Penalties and interest on taxes	2,000	2,000	1,555	(445)
Tuition and fees:				
Regular day school tuition	69,850	69,850	78,863	9,013
Earnings on investments and deposits	46,050	46,050	42,684	(3,366)
Cocurricular activities:				
Admissions	6,000	6,000	4,475	(1,525)
Other pupil activity income	5,300	5,300	23,709	18,409
Other revenue from local sources:				
Rentals	-	-	480	480
Refund of prior years' expenditures	-	-	3	3
Other	21,000	21,000	5,252	(15,748)
Revenue from Intermediate Sources:				
County sources:				
County apportionment	2,800	2,800	3,988	1,188
Revenue from State Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid	858,298	858,298	870,786	12,488
Restricted grants-in-aid	-	-	125	125
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	1,110,973	1,110,973	876,198	(234,775)
Restricted grants-in-aid received directly from federal government	13,420	13,420	13,393	(27)
Restricted grants-in-aid received from federal government through the state	402,742	402,742	508,262	105,520
Johnson O'Malley funds	3,500	3,500	2,959	(541)
TOTAL REVENUE	2,853,661	2,853,661	2,771,753	(81,908)

(Continued on next page)

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Instruction:				
Regular programs:				
Elementary	491,835	491,835	481,181	10,654
Middle/Junior high	86,876	86,876	95,961	(9,085)
High school	502,962	502,962	538,023	(35,061)
Preschool services	33,795	33,795	33,669	126
Special programs:				
Culturally different	18,784	18,784	22,507	(3,723)
Educationally deprived	287,011	287,011	321,384	(34,373)
Support Services:				
Pupils:				
Guidance	70,239	70,239	66,008	4,231
Health	16,202	16,202	14,669	1,533
Instructional staff:				
Improvement of instruction	12,000	12,000	35,085	(23,085)
Educational media	99,324	99,324	93,503	5,821
General administration:				
Board of education	79,035	79,035	66,478	12,557
Executive administration	148,402	148,402	150,859	(2,457)
School administration:				
Office of the principal	62,204	62,204	58,032	4,172
Business:				
Fiscal services	64,124	64,124	100,580	(36,456)
Operation and maintenance of plant	201,634	201,634	186,009	15,625
Pupil transportation	262,900	262,900	258,037	4,863
Food service	2,728	2,728	7,169	(4,441)
Central:				
Staff	300	300	-	300
Other support services	72,000	72,000	-	72,000
Cocurricular Activities:				
Male activities	24,932	24,932	26,978	(2,046)
Female activities	41,124	41,124	34,326	6,798
Transportation	-	-	8,645	(8,645)
Combined activities	35,872	35,872	21,119	14,753
Contingencies	50,000	50,000		
Amount transferred		-		50,000
TOTAL EXPENDITURES	2,664,283	2,664,283	2,620,222	44,061
EXCESS OF REVENUE OVER (UNDER)				
 EXPENDITURES	189,378	189,378	151,531	(37,847)

(Continued on next page)

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012
(Continued)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
	Original	Final		
OTHER FINANCING USES:				
Transfers out	<u>(189,378)</u>	<u>(189,378)</u>	<u>(223,177)</u>	<u>(33,799)</u>
TOTAL OTHER FINANCING USES	<u>(189,378)</u>	<u>(189,378)</u>	<u>(223,177)</u>	<u>(33,799)</u>
NET CHANGE IN FUND BALANCES	-	-	(71,646)	(71,646)
FUND BALANCE - BEGINNING	<u>4,792,950</u>	<u>4,792,950</u>	<u>4,792,950</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,792,950</u>	<u>\$ 4,792,950</u>	<u>\$ 4,721,304</u>	<u>\$ (71,646)</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION FUND - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary)	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Revenue from Local Sources:				
Taxes:				
Ad valorem taxes	\$ 27,415	\$ 27,415	\$ 80,528	\$ 53,113
Prior years' ad valorem taxes	28,616	28,616	157	(28,459)
Penalties and interest on taxes	-	-	432	432
Other revenue from local sources:				
Charges for services	-	-	161	161
Revenue from State Sources:				
Grants-in-aid:				
Restricted grants-in-aid	54,830	54,830	34,689	(20,141)
Revenue from Federal Sources:				
Grants-in-aid:				
Unrestricted grants-in-aid received directly from federal government	19,000	19,000	15,807	(3,193)
TOTAL REVENUE	129,861	129,861	131,774	1,913
EXPENDITURES:				
Instruction:				
Special programs:				
Programs for special education	149,518	149,518	114,491	35,027
Support Services:				
Pupils:				
Student therapy services	-	-	9,309	(9,309)
Instructional staff:				
Educational media	31,000	31,000	37,411	(6,411)
Special education:				
Administrative costs	-	-	45,475	(45,475)
Transportation costs	2,700	2,700	3,312	(612)
TOTAL EXPENDITURES	183,218	183,218	209,998	(26,780)
EXCESS OF REVENUE UNDER EXPENDITURES	(53,357)	(53,357)	(78,224)	(24,867)
OTHER FINANCING SOURCES:				
Transfers in	53,358	53,358	68,177	14,819
TOTAL OTHER FINANCING SOURCES	53,358	53,358	68,177	14,819
NET CHANGE IN FUND BALANCES	1	1	(10,047)	(10,048)
FUND BALANCE - BEGINNING	88,940	88,940	88,940	-
FUND BALANCE - ENDING	\$ 88,941	\$ 88,941	\$ 78,893	\$ (10,048)

MCINTOSH SCHOOL DISTRICT NO. 15-1
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
SCHEDULE OF BUDGETARY COMPARISON FOR THE GENERAL FUND AND FOR EACH
MAJOR SPECIAL REVENUE FUND WITH A LEGALLY REQUIRED BUDGET
JUNE 30, 2012

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The School District followed these procedures in establishing the budgetary data reflected in the schedules:

1. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the school board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except fiduciary funds.
6. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the school board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
11. Budgets for the General Fund and each major Special Revenue Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 2 - USGAAP/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services-Business/Pupil Transportation function of government, along with all other current Pupil Transportation related expenditures.

SUPPLEMENTARY INFORMATION

MCINTOSH SCHOOL DISTRICT NO. 15-1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	Capital Outlay Fund	Pension Fund	Food Service Fund	Total Nonmajor Governmental Funds
ASSETS:				
Cash and cash equivalents	\$ 112,826	\$ 176,316	\$39,608	\$ 328,750
Investments	121,040	-	-	121,040
Taxes receivable - current	-	9,996	-	9,996
Taxes receivable - delinquent	-	134	-	134
Accounts receivable	-	5	-	5
Inventory of supplies	-	-	282	282
Inventory of stores purchased for resale	-	-	908	908
Inventory of donated food	-	-	77	77
TOTAL ASSETS	<u>\$ 233,866</u>	<u>\$ 186,451</u>	<u>\$40,875</u>	<u>\$ 461,192</u>
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Contracts payable	\$ -	\$ -	\$ 7,450	\$ 7,450
Due to other funds	-	-	992	992
Payroll deductions and withholdings and employer matching payable	-	-	5,413	5,413
Deferred revenue	-	10,131	-	10,131
TOTAL LIABILITIES	<u>-</u>	<u>10,131</u>	<u>13,855</u>	<u>23,986</u>
FUND BALANCES:				
Nonspendable:				
Inventory	-	-	1,267	1,267
Restricted:				
Capital outlay	233,866	-	-	233,866
Pension	-	176,320	-	176,320
Food service	-	-	25,753	25,753
TOTAL FUND BALANCES	<u>233,866</u>	<u>176,320</u>	<u>27,020</u>	<u>437,206</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 233,866</u>	<u>\$ 186,451</u>	<u>\$40,875</u>	<u>\$ 461,192</u>

	Capital Outlay Fund	Pension Fund	Food Service Fund	Total Nonmajor Governmental Funds
NET CHANGE IN FUND BALANCES	72,274	17,646	13,142	103,062
FUND BALANCE - BEGINNING	<u>161,592</u>	<u>158,674</u>	<u>13,878</u>	<u>334,144</u>
FUND BALANCE - ENDING	<u>\$233,866</u>	<u>\$176,320</u>	<u>\$27,020</u>	<u>\$ 437,206</u>

MCINTOSH SCHOOL DISTRICT NO. 15-1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Expenditures 2012
U.S. DEPARTMENT OF AGRICULTURE:		
Pass-through the S.D. Department of Education:		
Child Nutrition Cluster:		
Non-Cash Assistance (Commodities):		
National School Lunch Program	10.555	\$ 7,614
Cash Assistance:		
School Breakfast Program (Note 2)	10.553	29,307
National School Lunch Program (Note 2)	10.555	57,913
Team Nutrition Grants	10.574	2,000
Fresh Fruits and Vegetable Program	10.582	7,107
TOTAL U.S. DEPARTMENT OF AGRICULTURE		103,941
U.S. DEPARTMENT OF THE INTERIOR:		
Direct Federal Funding:		
Indian Education - Assistance to Schools (Note 2)	15.130	2,959
TOTAL U.S. DEPARTMENT OF THE INTERIOR		2,959
U.S. DEPARTMENT OF EDUCATION:		
Direct Federal Funding:		
Impact Aid (Note 3)	84.041	798,792
Indian Education - Grants to Local Educational Agencies	84.060	13,393
Pass-through the S.D. Department of Education:		
Title I Grants to Local Educational Agencies (Note 3)	84.010	353,814
Improving Teacher Quality State Grants	84.367	51,114
Twenty-First Century Community Learning Centers	84.287	92,303
Education Jobs Fund	84.410	938
TOTAL U.S. DEPARTMENT OF EDUCATION		1,310,354
GRAND TOTAL		\$ 1,417,254

NOTE 1: The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School District and is presented on the modified accrual basis of accounting unless otherwise noted. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: Federal reimbursements are not based upon specific expenditures. Therefore, the amounts reported here represent cash received rather than federal expenditures.

NOTE 3: This represents a major federal financial assistance program.